



CHEMONICS INTERNATIONAL INC.



## NICARAGUA BRIEFING PAPER # 1

PROPOSAL TO ESTABLISH  
UNIT FOR ENTERPRISE PROMOTION AND DEVELOPMENT  
OPORTUNIDAD  
CONCEPTUAL FRAMEWORK

Nicaragua SEGIR GBTI IQC Task Order 827

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## **OPORTUNIDAD**

### **UNIT FOR ENTERPRISE PROMOTION AND DEVELOPMENT**

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#### **A. The NDP: Competitiveness Component**

In its National Development Plan, or NDP, the Nicaraguan government recognizes that overcoming poverty in Nicaragua hinges on strong economic growth spurred by development of a modern and competitive export sector. This growth will allow rapid and massive creation of jobs and improve business productivity. By virtue of Nicaragua's demographic pyramid, the country faces the challenge of generating 100,000 jobs per year to avoid an increase in unemployment and overall drop in income among the country's poorest population segments. In this context, an economic development strategy is being proposed to regain and sustain competitiveness based on a progressive increase in productivity and exports, improvements to the business climate, and promotion of direct national and foreign private investment.

The plan seeks high-level coordination and consensus for an Economic Growth and Employment Agreement among the Nicaraguan government, the business sector, and workers; it will establish, for a specific period, the rules and public policies of business and workers to achieve the NDP's growth objectives and employment goals. The agreement will establish a favorable climate for business development as well as public policies to increase worker income and sustain increases in productivity.

The government will present the results of this agreement at the sectoral round table on competitiveness in order to coordinate the international community effort to support implementation.

#### **B. Promoting Entrepreneurship and Competitive Businesses**

Coordination of strategies and activities will succeed when implementation mechanisms are established to promote innovative entrepreneurship in Nicaragua and to usher Nicaraguan firms into regional and international markets.

Productive employment and a drop in poverty is not likely without innovative entrepreneurs. Nicaragua needs a flexible, streamlined, and innovative program to create enterprises that can compete in local, regional and international markets. Such a program must foster an environment to increase investment, accelerate growth, and create jobs.

##### **B1. The Major Challenges**

The "unsustainabilities" in the economic, social, environmental and institutional arenas, as identified in the NDP, result from poor decisions made in recent years. They portend future challenges the business sector faces to ensure a stable environment for economic growth, high levels of job creation, and improvements in living standards.

From a commercial standpoint, businesses face a series of "unsustainabilities" to resolve, as summarized below:

- Predominance of businesses with little capacity to generate value added;
- Predominant focus on the internal market, sustained by a protectionist trade policy;
- The insufficiency of information services and the weakness of linkages to external markets, combined with the lack of an appropriate platform for export services (insurance, food security, and safety);
- Low levels of worker productivity, as explained by extremely low levels of equipment renewal, antiquated production and management processes, and a paucity of capacity for innovation;
- Increasing production costs stemming from (i) lack of economies of scale and clustering, (ii) deficiencies in the provision of basic infrastructure (road, ports, airports, cold storage facilities, telecommunication); and (iii) non-competitive inputs costs.
- An inadequate business climate that impacts negatively on both investment decisions and transaction costs;
- Lack of medium- and long-term financing to accompany growth of competitive and innovative businesses, particularly in sectors having the greatest potential for employment.

## **B2. The Mission of an Implementation Mechanism**

An inappropriate mixture of macroeconomic policies pursued in the past, combined with the microeconomic “unsustainabilities” impacting business, is made evident in weak economic growth, a high rate of unemployment and significant emigrational processes. A vigorous implementation mechanism is needed to strengthen and sustain economic growth that will boost massive increases in employment.

Fortifying the economy calls for an institutional framework for discussion and consensus among the government, business, and labor on key economic and social decisions. Consensus among principal actors ensures a strong commitment leading to stability and enterprise development over the medium term. This framework will allow key players to forcefully and legitimately air opinions on salaries, investment, employment, and incentives, as a starting point for getting the country and the economy back on track.

The agreement will entail work at the territorial level to execute agreements between businesses, workers, local or regional groups, and the government. The specific objective of these agreements from the business standpoint is increased growth of private investments through promotion of highly labor-intensive, value-added and export-driven investments. From the government standpoint, the objective is commitment to basic infrastructure projects, development of human capital, improvement of service, and encouragement of local governments to facilitate and improve business performance.

## **B3. Expected Results**

Given the above-identified characteristics, a proposal is hereby submitted to create the *Unit for Enterprise Promotion and Development (PMU-OPORTUNIDAD)* to play a decisive role in the process of economic growth and employment generation during the coming years.

OPORTUNIDAD will implement a comprehensive support program for the institutional strengthening of the public sector institutions charged with the promotion of trade and investments to increase coordination and efficiency; and to improve the business and investment climate and create a competitive, market-driven enterprise sector in Nicaragua. The program will seek two main results:

**Result #1:** *Establishment of an appropriate legal and regulatory framework conducive of trade and investment in Nicaragua.* OPORTUNIDAD will support public initiatives aimed at significantly improving the existing business, trade and investment climate in Nicaragua. Through an institutional strengthening program for public institutions playing a direct role in the improvement of the business and investment climate, such as MIFIC, MAGFOR, MARENA, PRONICARAGUA, INTUR, MITRAB, CPC, INPYME, CEI, SECEP, among others, the program aims to increase the efficiency and efficacy of the Nicaraguan Government to promote a business and investment climate conducive to investment, the competitiveness of enterprises and the creation of gainful employment.

Under Result #1, OPORTUNIDAD will focus its assistance on improving three key areas:

- a. Improve the GON and private sector capacity to implement trade agreements
- b. Reduce key administrative, legal and regulatory barriers to trade and investment
- c. Promotion of sound investment and business development incentive framework

*Illustrative Activities:*

The institutional strengthening program for trade and investment will focus on supporting key public institutions that affect the business, trade and investment climate through activities such as:

- Support for the institutional coordination between the various entities of the Nicaraguan government that form the Productivity and Competitiveness Cabinet
- Support for administrative streamlining and regulatory framework affecting the development of businesses in Nicaragua
- Support for institutional reforms that are required in order to eliminate any existing barriers to trade and investment in Nicaragua
- Improve the efficiency and efficacy of the government in promoting enterprise development, trade and investment policies in Nicaragua

**Result #2:** *Development of a more competitive, market-driven, enterprise sector capable of increasing employment and economic opportunities for the population.* OPORTUNIDAD will support the development of a vibrant, market-driven and competitive enterprise sector in Nicaragua as the engine for accelerated and sustained economic growth. Through alliances with private enterprise, local authorities, private sector organizations, and other government entities, OPORTUNIDAD will implement a technical assistance program to improve the competitiveness of high-potential enterprises; especially high-potential SMEs focusing on the export markets or SMEs in the export market chain.

*Illustrative Activities:*

The enterprise development program will focus on (i) positioning high-potential SMEs in regional and international markets; (ii) promoting competitive development in domestic production and services markets that support export and/or added value processes and employment; and; (iii) promoting cooperation between small enterprises to increase their participation in competitive markets. These objectives will be met by undertaking a series of activities such as:

- Improving the range of competitiveness functions that affects business development at the enterprise level:
  - Business productivity
  - Quality management and production processes
  - Development of human capital
  - Inclusion in available financing programs, such as guarantee funds
  - Support systems, services and environmental competitiveness
  - Others
- Developing market linkages with international buyers for Nicaraguan products.
- Supporting the development of the sub-supply chain, linking SMEs to large domestic and/or FDI firms.
- Helping domestic firms to move up along the value chain, creating additional value added and new opportunities for both the enterprise and the population.

**B4. Promotion of Opportunity Alliances**

OPORTUNIDAD will promote the creation of Opportunity Alliances to maximize the likelihood of success in achieving the objectives, goals, and results necessary to spur economic growth and employment generation at both the national and territorial levels. These alliances will take place at two levels:

- *At the internal level of the government.* OPORTUNIDAD will promote alliances with the various ministries making up the Cabinet on Competitiveness and Production, as well as the various public entities whose activities are directly linked to the country's productive and competitiveness arena. Possible alliances will includes GON entities such as:
  - MIFIC
  - MAGFOR
  - IDR
  - INTUR
  - FNI
  - INIFOM
  - CEI
  - CZF
  - FCR

In these cases, the alliances will seek to strengthen the capacity of these ministries and agencies to implement the activities and achieve the results mandated to them, and which are essential for achieving the two expected results mentioned in Section B3. In all cases, a results-oriented approach will guide each alliance that will include clearly defined objectives, goals and results, as well as specific activity schedules.

- *At the external level of the government.* OPORTUNIDAD will promote opportunity alliances with local authorities and business and producer groups at the local level, and with communities interested in promoting competitiveness, economic growth and employment generation in the various territories of the country.

The Nicaraguan government is interested in assuring that all groups of producers and small and medium-sized entrepreneurs are able to access the benefits to be made available by this Unit. A broad process of dissemination will promote transparency and serve to identify and support dynamic businesspeople interested in innovation, modernization and competitive market participation. Strategic alliances will also be established with other donor-financed programs providing support to production and competitiveness with a view toward unifying efforts and leveraging the impact of development assistance in Nicaragua.

### **C. Establishment of OPORTUNIDAD**

The Project Implementation Unit — OPORTUNIDAD — is being created by Presidential Decree as a mechanism to promote the efficiency and effectiveness of the government institutions responsible for trade and investment, and to promote a competitive, market-driven enterprise sector in Nicaragua, capable of creating employment and economic opportunities for the population.

OPORTUNIDAD's primary mission will be to promote accelerated economic development and competitiveness and employment by significantly improving the business and investment climate in Nicaragua and by creating a business sector that will achieve a competitive position by means of sustaining incremental productivity with the objective of achieving a significant increase in the country's export and investment portfolio.

In the initial phase, OPORTUNIDAD will be funded with resources made available under a bilateral grant agreement between USAID and the Nicaragua government signed on August 21, 2003. The agreement was aimed at support actions that promote trade-led economic growth, improve the local business climate, increase national competitiveness and attract private investment in Nicaragua. However, the agreement signed in August 2003 does not preclude the possibility of coordinating efforts with other members of the donor community during the implementation phase and in attaining the stipulated results. In this sense, OPORTUNIDAD will serve as a conduit for planning, disbursement, and administration of part of the funds identified under the previously mentioned bilateral donation agreement as well as for any agreements that support the established objectives, goals and results.

Key results and indicators, as well as the level of financial resources made available under this Unit, will be mutually agreed upon the Nicaraguan government and the USAID, during the

approval process of the Annual Work Plan. Appropriate financial control procedures will be established in satisfactory manner to the government and USAID, as well as any other participating donor. Likewise, OPORTUNIDAD will guarantee compliance of both operational and financial control measures for all the activities carried out through the various government entities and private sector organizations.

### **C1. Purpose of OPORTUNIDAD**

The general purpose of OPORTUNIDAD will be to stimulate the development of a market-driven, competitive enterprise sector and the establishment of a sound regulatory and policy framework conducive to business and investment development in Nicaragua. The primary objective of the Unit is to establish enabling conditions under which enterprises can flourish, resulting in accelerated growth, and the creation of gainful employment in the country.

At the same time, activities will be coordinated with private sector organizations and the donor community to secure a coherent and coordinated effort aimed at ensuring attainment, within the shortest possible timeframe, of the goals and objectives of economic growth and employment generation set forth in the NDP.

### **C2. Functions of OPORTUNIDAD**

OPORTUNIDAD's functional activities can be classified into the following categories:

- a) Functions that support the establishment of an enabling business and investment climate in Nicaragua, which include:
  - In coordination with the ministries and the most important private sector stakeholders, establish a matrix of the most important micro-economic reforms for improving the business and investment climate;
  - Establish an action plan, incorporating calendars, assigning responsibilities and identifying necessary resources that will enable the Nicaraguan government authorities to implement political reforms in consensus with the responsible institutions;
  - Establish a monitoring and evaluation system of the enumerated reforms that include among other things: state of implementation, desired impact, and impact achieved with the reforms, with the goal of informing the respective authorities for their jobs.
- b) Coordination functions aimed at spurring competitiveness. These coordination functions include, among other activities, the following:
  - Coordinate preparation of the Annual Work Plan in close collaboration with SECEP, MIFIC, MAGFOR, MARENA, Pro-Nicaragua, and other relevant institutions.
  - Monitor the process of public policy reform aiming to improve the business and investment climate in Nicaragua, and follow-up to ensure achievement of the agreed-upon results and to provide information related to the results and recommendations to the corresponding authorities.



- Coordinate the Opportunity Alliances through which support and technical assistance is provided to the various government implementing agencies to ensure achievement of the agreed-upon results (determination of technical requirements, selection of consultants).
  - Follow-up to ensure achievement of the agreed-upon results, including intermediate results, calendars of scheduled activities, and previously defined policy reforms.
  - Promote informed debate between the public and private sectors regarding the need to establish an appropriate business climate in Nicaragua.
- c) Promote, strengthen and develop more market-driven, environmentally friendly and competitive businesses by means of a specialized technical assistance program. For this to occur, Opportunity Alliances with institutions such as INPYME, CEI will be encouraged. In this regard, attention will be focused on the following areas: (1) promoting an entrepreneurial culture and capacity; (2) strengthening the capacity for business creation and management, and (3) strengthening the participation of small and medium-sized businesses in regional and international markets, either directly or through enterprise linkages with larger national or FDI firms operating in Nicaragua. These functions will include the following:
- (1) Promotion of an entrepreneurial culture and capacity
- Provide direct technical assistance (primarily by outsourcing to local external consultants and in some cases specialized assistance) to businesses, groups of businesses and groups of producers, in all national territories, in the various aspects of entrepreneurial competitiveness: (i) business plans, (ii) market linkages;
  - Promote the implementation of business competitions, fairs and other types of business expositions;
  - Organize seminars, workshops and conferences to address areas where businesses have demonstrated significant weaknesses.
- (2) Strengthening of the capacity for business creation and management, by providing direct technical assistance in the following areas:
- Production processes and standards;
  - Development of management capacity by providing training in the use of information technology;
  - Provision of specific consultancies and temporary advisors to businesses to help identify the latter's principal bottlenecks and challenges and determine the best way to address them;
  - Provision of technical assistance in the area of sustainable environmental competitiveness, by focusing on new challenges faced by Nicaraguan exporters (i.e. Bioterrorism Law, EurepGap, ISO14001, HACCP, and others);
  - Other activities as defined.
- (3) Strengthening participation by small and medium-sized businesses in regional and international markets, including:

- Creation of a “supply search” to provide up-to-date information on the export potential existing at the territorial level and encourage co-investments with national and foreign investors;
- Provision of specialized technical assistance to identify markets for current and potential products from each territory;
- Promotion of “business roundtables” with the participation of external buyers wishing to learn “first hand” from local producers about business opportunities currently existing in Nicaragua;
- Provision of specialized technical assistance in aspects of exporting, international negotiations and market analysis for national producers in a broad range of productive areas;
- Facilitate access to existing and potential sources of financing by introducing negotiations with investors and other sources of financing such as investment angels, funds for seed capital, funds for innovation, and other sources to facilitate timely business growth and employment generation in Nicaragua;
- Other activities as defined.

### **C3. Structure of OPORTUNIDAD**

OPORTUNIDAD will consist of a Board of Directors, an Executive Director, a bilingual secretary and six technical specialists divided into two key departments: (1) the Procurement and Controllers Department, and (2) the Technical Assistance and Follow-up Department.

#### **C3(a). Board of Directors (Board)**

The OPORTUNIDAD Board will provide the unit with strategic management and will also support the consolidation of the necessary political will in the country, in order to develop a modern business class with a new vision of businesses and enterprises, in addition to the economic/political reforms that OPORTUNIDAD will promote.

The Board will be comprised of five high-ranking GON officials and six successful national and/or regional businesspersons interested in promoting the country’s economic development. Public sector officials who would participate in the Board include the Secretary of the SECEP, the Minister of the MIFIC, the Minister of the MAGFOR, the Minister of the MARENA and Pro-Nicaragua’s Chairman.

The Board will also include successful businesspersons from the private sector who possess proven experience in promoting the country’s national and regional development, and placing such development ahead of personal interests. The Board will meet every four months, or more frequently as deemed necessary, at the discretion of the Chairman of the Board.

The primary functions of the Board would be as follows:

- To approve the Strategic Plan and the Annual Work Plan for submission to USAID.* The Board will be responsible for approving the strategic plan that will establish the overall direction that the Unit should follow in order to reach the desired objectives,

goals and results; as well as the Annual Work Plan to be submitted to USAID. It will establish the organization's mission, rules, and operations that guide OPORTUNIDAD's activities.

The Annual Work Plan will include projected year-end results, as well as the component activities, programs and projects and the financial resources necessary to achieve those results. It will also include the Memorandums of Understanding (MOUs), under the various Opportunity Alliances, including their respective objectives, goals, results and financial support, to be signed with the other government implementing agencies, and identify action areas where it is expected that other MOUs will be implemented over the course of the year with groups of producers, local authorities in the various territories, and local nongovernmental institutions.

- b. *Provide Follow up on the actions, programs, and projects financed by OPORTUNIDAD.* At each meeting of the Board, a progress report will be submitted detailing the achievements recorded versus projected results in OPORTUNIDAD's various spheres of activity with the goal of evaluating if the organization is complying with the established mission and objectives. Also to be submitted for the purpose of keeping the Board informed will be a description of any significant implementation problems encountered during the quarter. The Board will authorize whatever actions deemed necessary to solve the problems or define a particular course of action to be followed by the Unit so as to ensure that the goals and results are met.
- c. *Ensure the proper use of resources.* The Board will also review reports of audits conducted at the Unit and will ensure the transparent use of resources managed by the program during the implementation process.
- d. *To appoint key personnel.* The Board will be authorized to recommend the replacement of the Executive Director of OPORTUNIDAD to the Nicaraguan government and USAID for the reasons set forth in the Nicaraguan labor law and the OPORTUNIDAD Personnel Manual. OPORTUNIDAD's Executive Director and the technical team will be appointed to the Unit will by contracted subject to the professional profile included in the OPORTUNIDAD Personnel Manual, while all other staff members will be chosen by means of open public tender processes by a Personnel Selection Committee to be made up by representatives of SECEP and USAID.
- e. *Call to Meetings of the Board.* The Chairman of the Board will be responsible for calling all other Board members to regular and special meetings. The Chairman may also represent the unit together with the Executive Director.
- f. *Decision-Making Process.* The decisions of the Board shall be made by simple majority vote. In the event of a tie vote, the Chairman shall have an additional casting vote. To avoid conflict of interest, the Board members would sign an Ethic

Agreements that state their commitment to exclude themselves from any decision that has the potential to benefit them directly or indirectly. The Ethic Agreements will be shared at the time of making the invitation to the individual to participate as a member of the Board for OPORTUNITDAD.

### **C3(b). Executive Director**

OPORTUNIDAD will have a fully independent Executive Director who will oversee the day-to-day activities of the unit, but according to the strategic and operating plans approved by the Board. The key functions of the Executive Director include:

- a. *Oversee and Monitor the Execution of the Programs.* The Executive Director will be responsible for implementing the executive decisions and policies that ensure the correct operation of OPORTUNIDAD, with the powers of a general administrative agent. The Executive Director will also be responsible for evaluating and periodically monitoring actions, activities and programs. Likewise, the Executive Director is responsible for keeping the Board and the participating donors informed on all relevant implementation aspects of OPORTUNIDAD.
- b. *Representation of the Unit.* The Executive Director will represent OPORTUNIDAD in interactions with ministers and government cabinet members, business associations, local authorities or any other person or entity associated with the unit.
- c. *Negotiation of Memorandums of Understanding.* The Executive Director will be in charge of negotiating and/or modifying Memorandums of Understanding with various public and private entities, and of other types of assistance provided to the small and medium enterprises benefiting from the program.
- d. *Monitoring and Evaluation.* The Executive Director will be responsible for overseeing the monitoring and evaluation process of the program and the programs funded by the unit – as outlined in the Annual Work Plan – with an aim to make appropriate executive decisions that would contribute to ensuring that the program achieves the desired impact and outcome.
- e. *Evaluation of Personnel.* The Executive Director will be in charge of evaluating the unit's technical and administrative staff, and will also have the authority to dismiss staff members when circumstances so dictate, in accordance with labor laws and the corresponding personnel manuals. In addition, the Executive Director may replace such staff members through open and competitive bidding processes, pursuant to Nicaraguan laws and the OPORTUNIDAD personnel manual.

### **C3(c). Procurement and Controllers Department:**

The Procurement and Controllers Department will be staffed by three individuals: one financial manager who will also function as a specialist in purchasing/contracting; one accountant with extensive experience in managing development programs and, if possible, with USAID program experience; and one field auditor who will be responsible for verifying

the proper operation of the program at the field level. This department will ensure the speedy implementation of activities, as well as transparency and the proper management of resources.

### **C3(d). Technical Assistance and Follow-up Department**

The Department of Technical Assistance, Coordination and Follow-up will be staffed by a small but highly qualified group of technicians responsible for achieving the results and objectives identified by the program. For this department, three senior technicians are proposed. These technicians will perform functions involving the following: (1) business promotion and development, (2) monitoring and evaluation, and (3) promotion of environmental competitiveness and standards.

The OPORTUNIDAD Executive Director will in turn act as director of the Technical Department, will provide oversight to ensure that the Unit functions proficiently and will act as the Secretary for the Board. For this position, an senior level professional with the ability to provide leadership at both the internal and external levels of OPORTUNIDAD and with sufficient respect and support to ensure efficient coordination with members of the Governments Cabinets, the members of the donor community and the representatives of Nicaragua's private sector. The selection of the Executive Director, as well as that of the Board of Directors members and the other key personnel, will be made by means of a consensus between the Nicaraguan government and USAID.

### **D. Selection Process for Identifying Beneficiaries and Channaling Assistance**

- a. *Economic Viability of Businesses.* OPORTUNIDAD beneficiaries must be competitive as a result of their own initiatives, and not as a result of having received subsidies or support provided. Due to the uneven distribution of assets, and the cost of receiving training in export and market access processes, OPORTUNIDAD will provide technical assistance mainly to small and medium-sized enterprises with a high level of potential for export, added value and/or creation of gainful employment. Emphasis will be placed on creating a network of businesses with competitive export capacity. Associations between small, medium, and large enterprises will be encouraged in order to meet the needs of new export markets. Likewise, linkages between high potential SMEs and large national and FDI firms operating in Nicaragua will be strongly encouraged by the program.
- b. *Types of support awarded.* One of the first activities to be carried out by OPORTUNIDAD will be an analysis of the types of support the Unit will make available to the enterprise sector. Such analysis will result in an agreement between the Nicaraguan government and USAID regarding which types of support (direct and indirect) will be offered to beneficiary businesses for the purpose of increasing production levels and positioning the businesses in competitive markets.

Special emphasis will be placed on transparency and disclosure of the resources to be delivered by OPORTUNIDAD, in such a way that potential recipients will be aware of which products or benefits are offered through the program, and will also be informed as to selection criteria, the conditions and means of access, delivery methods of the same

and those who are benefiting. This activity is listed as high priority on the OPORTUNIDAD work schedule and must be included as the top priority of the program.

- c. *Transfer Scheme.* The transfer scheme designed should establish a method of delivery and dissemination that would ensure a greater level of access and participation on the part of small and medium enterprises within the regions, thereby increasing transparency, the development of local markets and the opportunity to support the most innovative ideas to boost competitiveness, export and employment levels.

Additionally, transparent methods will be sought, which will aim to empower or allow the final beneficiary to make a choice with regard to the type of technical assistance to be used, thus promoting the creation of a competitive domestic market of technical assistance and service provision, and avoiding the formation of privileged enclaves, which are seen in many of the development programs currently operating in Nicaragua.

OPORTUNIDAD will provide a space to promote a new scheme that aims to increase transparency in the selection process and that is supported in the market, in order to ensure efficiency in the provision of the technical assistance services provided within the country. OPORTUNIDAD will define the terms and conditions that must be met by each business in order to maintain sources of support and the expected results of such support, while the recipients determine the specific sources of assistance.

- d. *Contribution of recipient institutions.* The businesses receiving tangible support from OPORTUNIDAD must make a contribution to the program, whether through matching contributions or a commitment to share the benefits received with other businesses in their area. Support provided by OPORTUNIDAD to small and medium-sized enterprises possessing high potential for export, added value and/or generation of jobs, will be specified in individual letters of intent to support (of 1 to 3 pages), which will identify the support to be provided and the projected results of such support. Letters of intent to support will include a concise outline of the roles and responsibilities of OPORTUNIDAD and the recipient institutions for the attainment of the established goals.

## **E. Other Key Aspects**

### **E1. Administrative and Operational Aspects**

- a. *Separate accounts.* OPORTUNIDAD will establish and maintain a separate, interest-bearing, non-joint account in a Private Bank, into which program resources will be deposited. The name on this separate account will be *OPORTUNIDAD*
- b. *Preparation of Procedural Manuals.* A Personnel Manual and an Operational Accounting Manual shall be prepared and will establish the operating procedures to be followed by the unit during its operation. Operating Manuals must be approved by the Board, with the consent of USAID. The Board may introduce changes to the operating manuals, and such changes must be approved by USAID in writing prior to their implementation.

c. *Accounting for the Programming, Generation and Disbursement of Funds.*

OPORTUNIDAD will install an accounting and internal control system to account for the resources programmed, generated and disbursed under the program, and will maintain accounting records for deposits and disbursements made to and from the program account and other related accounts in the other implementing institutions. Accounting records for the program account will be reconciled monthly with bank statements provided by the bank managing the account.

Internal controls will be established at two levels:

*First Level.* OPORTUNIDAD will ensure that accounting records for the resources programmed, generated and disbursed by the Unit, as well as those that might be channeled through recipient organizations will reflect at a minimum the following: (a) amount programmed, (b) amount transferred to the separate account of each organization, and (c) amount available for programming in the program account.

*Second Level.* OPORTUNIDAD will be required to ensure that in the event that resources are channeled through other implementing institutions, these institutions maintain accounting records that at a minimum show the following: (a) amount received, including interest and maintenance of accrued value, (b) expenses incurred, by budget line item, and (c) funds available.

All organizations receiving financial support from OPORTUNIDAD will be required to observe the following procedures:

- i. Resources received are to be deposited into a separate, interest-bearing, non-joint account. This account will be opened in a private commercial bank.
  - ii. Resources will be used to finance only those budget line items, projects or activities authorized in the OPORTUNIDAD-approved budget and included in the Memorandum of Understanding signed between OPORTUNIDAD and the recipient institution.
  - iii. Recipient implementing organizations will submit to OPORTUNIDAD certified monthly expense reports evidencing the following:
    - Expenses incurred, by project and by budget line item,
    - Accumulated expenses from the beginning of the project through the reporting date,
    - Available balance in the budget as of the last day of the reporting period,
    - Funds available in the separate account at the conclusion of the reporting period, supported by a copy of the appropriate bank statement.
- a. *Reporting Responsibility.* OPORTUNIDAD will be responsible for summarizing and consolidating reports received from the various recipient organizations and from its technical assistance departments.

The Unit will also be required to submit to the Board of Directors and to donors the following:

- i. Semiannual report showing progress toward attainment of the results, goals and objectives set forth in the Economic Reactivation and Employment Program.
  - ii. Quarterly financial reports showing:
    - Total amount allotted to the program;
    - Amount deposited into the program account;
    - Amount programmed and disbursed under OPORTUNIDAD's technical assistance program, indicating the purpose of the activities financed by such disbursements;
    - Amounts programmed and disbursed to OPORTUNIDAD's administrative operations account;
    - Amount programmed and disbursed to recipient organizations, indicating the purpose of the activities financed by such disbursements;
    - The actual amount of expenses incurred by OPORTUNIDAD's technical assistance program and recipient organizations and that carry out programs or activities under the program, including OPORTUNIDAD's operating and administrative expenses;
    - Amount of funds available in OPORTUNIDAD's accounts and the accounts of recipient organizations; and
    - The amount of interest generated by the resources deposited into the above-mentioned accounts.
- b. *Follow-up and evaluation.* Responsibility for follow-up and evaluation will fall to OPORTUNIDAD. The Unit will be responsible for evaluating and reporting on the technical progress recorded by the various recipient organizations as well as by its own technical assistance program with regard to results, indicators, goals and objectives set forth in the Economic Growth and Employment Program. OPORTUNIDAD will submit follow-up and evaluation reports to the Board and participating donors. With a view toward ensuring a sound system of evaluation and follow-up, OPORTUNIDAD will be responsible for the following:
- i. Establishing a system for tracking the achievements recorded by each participating organization vis-à-vis the technical achievements projected in the MOUs. Information presented in the monthly progress reports and MOUs, as well as information generated by direct periodic measurements conducted by OPORTUNIDAD, will serve as system input.
  - ii. Establish a system for verifying the results included in the Letters of Intention of support signed with the different beneficiaries (businesses and producers) of the program.
  - iii. Implementing procedures to ensure the accuracy of the information provided in the quarterly progress reports, for example, by means of field trips, desk reviews, etc.; and
  - iv. Ensuring appropriate compliance with auditing requirements and the timely implementation and close-out of any recommendations resulting from such audits.



## **E2. Role of USAID in the Administration and Implementation of the Agreement**

USAID will be responsible for:

- a. Approving the Economic Growth and Employment Program presented by the Nicaraguan government, which will include the results, goals and objectives to be achieved by OPORTUNIDAD, including a recommended budget for the main components of the program.
- b. Approving the Annual Work Plan presented by OPORTUNIDAD specifying the actions, programs and projects to be funded under the Program and implemented by OPORTUNIDAD or by the various participating recipient organizations. The Annual Work Plan must include the agreements planned with other recipient implementing agencies, as well as the amount estimated by Mde, and anticipated individual agreements with producer organizations, local authorities and individual businesses to be made during the course of the year.
- c. Establishing the oversight measures deemed appropriate through its technical offices for the purpose of verifying the implementation and monitoring of the activities planned and approved by OPORTUNIDAD.
- d. Approving the operating administrative procedures that regulate the management of funds allocated to the program, as well as the model format for the Memorandum of Understanding and other model documents of institutional agreements to be used.
- e. Approving the product menu and/or funds provided to beneficiary businesses, as well as the transfer methods to be used by OPORTUNIDAD in order to reach beneficiary businesses.
- f. Approving the annual administrative operating budget of OPORTUNIDAD.
- g. Approving the terms of reference for all audits.

## **E3. Role of OPORTUNIDAD**

OPORTUNIDAD will be responsible for the following:

- a. Providing assistance to recipient implementing organizations and to groups of producers and local authorities in developing conceptual budgets for activities to be financed by the Program.
- b. Ensuring, in coordination with participating donors, that the activities and results included in the proposals of recipient organizations and groups are consistent with the objectives, goals and results set forth in the Program.
- c. Establishing a network of external consultants throughout the country who might be eligible to provide short-term technical assistance under the program.
- d. Evaluating the capacity of local nongovernmental organizations to be financed by the program for administering, recording, reporting and controlling assigned resources. In the event that not all of the requisite guarantees for receiving funds under direct financing arrangements are available, OPORTUNIDAD will provide for only in-kind support — i.e., goods and services — in the corresponding MOU.
- e. Monitoring and evaluating the activities implemented by the recipient organizations and local non-governmental organizations participating in the program.

- f. Establishing a follow-up system for tracking projected technical progress against actual achievements under each MOU. System records will be based on information contained in approved annual work plans and quarterly progress reports.
- g. Installing procedures to ensure the accuracy of the information provided in the quarterly progress reports (for example, field trips, desk reviews).
- h. Evaluating the degree of progress recorded under each project, identifying implementation problems and proposing possible solutions.
- i. Submitting to the Board and participating donor organizations quarterly summaries of the progress reports received from all participating recipient organizations and entities. These reports will contain at a minimum the following: executive summary, charts showing progress vis-à-vis goals, description of the principal problems encountered during the period with proposed solutions, and activities programmed for the following period.